

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 IO-14 EUR-25 SSO-00 NSCE-00 USIE-00

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 8721

INFO AMCONSUL DHAHRAN IMMEDIATE

AMEMBASSY ROME IMMEDIATE

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E.O. 11652: N/A

TAGS: EAGR, FAO

SUBJECT: SAUDI DEVELOPMENT ASSISTANCE TO THIRD WORLD

REF: A. STATE 208042 B. ROME 12956 C. ROME 13045

1. SAUDI ASSISTANCE TO THIRD WORLD MUST BE DIVIDED INTO SEVERAL CATEGORIES: AID THROUGH INTERNATIONAL ORGANIZATIONS, AID THROUGH REGIONAL ORGANIZATIONS, AID TO BE CHanneLED THROUGH NEW INSTITUTIONS, AND DIRECT AID INCLUDING LOANS AND GRANTS. WE HAVE ESTIMATED IN EARLIER REPORTING THAT SAG HAS OBLIGATED ITSELF FOR A TOTAL OF ABOUT 3.2 BILLION DOLLARS WORTH OF AID THIS FISCAL YEAR, ABOUT 10 PERCENT OF ITS REVENUES, AND THE FIGURE KEEPS CLIMBING AND WILL CONTINUE TO DO SO. IT SHOULD BE EMPHASIZED THAT ACTUAL DISBURSEMENT RATE WILL BE FAR BELOW THIS IN OUR OPINION BUT IT WILL ACCELERATE RAPIDLY AND WOMEWHAAT ACCORDING TO THE PRESSURES FROM AND NEEDS OF THE COUNTRIES AND INSTITUTIONS RECEIVING IT.

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2. BUDGET ANNOUNCED LATE JULY SPECIFICALLY CALLED FOR A NEW ORGANIZATION TO BE ESTABLISHED CALLED THE SAUDI INVESTMENT FUND. THIS FUND, STILL TO BE ESTABLISHED IN REALITY, WAS GIVEN THREE BILLION RIYALS FOR USE IN MAKING LOANS, PROBABLY PROJECT LOANS, TO THE LESS DEVELOPED COUNTRIES. IN ADDITION, A SPECIAL FUND OF 988 MILLION RIYALS WAS SET ASIDE FOR USE IN OTHER LESS DEVELOPED COUNTRIES. FINALLY, THE KHARTOUM SUBSIDY OF APPROXIMATELY 660 MILLION RIYALS WAS CONTINUED TO EGYPT, SYRIA, AND JORDAN. THE TOTAL AMOUNT ALREADY PLEDGED FOR LDC AND ARAB AID THIS FISCAL YEAR IS 4.6 BILLION RIYALS, OR ABOUT 10 PERCENT OF THE BUDGETED EXPENDITURES (OR FIVE PERCENT OF TOTAL REVENUES). EGYPT IN ADDITION HAS JUST BEEN PROMISED \$300 MILLION FOR RECONSTRUCTION. THESE OBLIGATIONS BY THE SAUDI GOVERNMENT WILL BE AS NOTED MOSTLY PROJECT ORIENTED AND NOT RPT NOT AIMED AT MAKING UP FOREIGN EXCHANGE NEEDS OF OIL-IMPORTING POORER COUNTRIES. SUCH AID WILL REPLACE FOREIGN EXCHANGE RESOURCES THAT WOULD OTHERWISE BE USED FOR IMPORTS OF OIL. HOWEVER, MANY OF THE PROJECTS WILL PROBABLY BE FULLY FUNDED BY SAUDIS AND MUCH OF THE DISBURSEMENTS WILL BE LOCAL AND THEREFORE SUCH LOANS WILL BE A LONG-RANGE CONTRIBUTION TO THE BP PROBLEMS OF THE LDC'S.

3. DIRECT SAUDI GRANT OF \$25 MILLION A YEAR FOR 2 YEARS TO WFP HAS ALREADY BEEN WIDELY REPORTED, BUT THERE IS NO INDICATION THAT FURTHER SUCH GRANTS WOULD BE FAVORABLY CONSIDERED. HOWEVER, SPECIAL PLEADING AND REALLY HARD EVIDENCE OF FAMINE IS IN OUR OPINION LIKELY TO SUCCEED WITH KING FAISAL IN THE FUTURE AS IN THE PAST.

4. IT CAN FAIRLY BE STATED THAT SAUDI ARABIA TODAY MUST HAVE ONE OF THE LARGEST RATIOS OF AID TO GNP AND IN ABSOLUTE TERMS MAY SOON BECOME THE LARGEST AID DONOR. SECRETARY GENERAL MAREI IS PROBABLY CORRECT IN TESTIFYING TO PERSONAL NATURE OF FAISAL'S COMMITMENT TO AIDING LDC'S (REF C) EVEN OUTSIDE THE TRADITIONAL MOSLEM ASSISTANCE PATTERN.

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